

Permanent Administrative Regulations

Article 15.--APPLICATION FOR PERMITS; DOMESTIC WATER SUPPLY

28-15-50 Definitions. For the purposes of these regulations, the following words and phrases are defined as follows:

(a) Capacity" means the technical, managerial, and financial ability to comply with applicable national primary drinking water standards.

(b) Conservation plans and practices" means conservation plans and practices approved by either the Kansas water office or the division of water resources, Kansas department of agriculture, as consistent with guidelines developed and maintained by the Kansas water office pursuant to K.S.A. 74-2608 and amendments.

(c) Debt service coverage ratio" means the sum of net income plus interest expense plus depreciation, divided by the sum of principal and interest payments for debt service.

(d) Department" means the Kansas department of health and environment.

(e) Disadvantaged community" means a loan applicant or the service area of a loan applicant that meets affordability criteria established by the secretary.

(f) Equivalency" means that portion of the Kansas water supply loan fund that is equal to the amount of capitalization grants provided by the federal government.

(g) Equivalency project" means a project that is funded from the equivalency portion of the Kansas water supply loan fund.

(h) Fund" means the Kansas water supply fund established by K.S.A. 1996 Supp. 65-163e et seq., and amendments, and may consist of more than one pool of money.

(i) Intended use plan" means the plan prepared according to K.S.A. 1996 Supp. 65-163h and amendments.

(j) Loan agreement" means an executed contract between a loan applicant and the secretary confirming the purpose of the loan, the amount and terms of the

loan, the schedule of the loan payments and requirements, and any other agreed upon conditions set forth by the secretary.

(k) Loan applicant" means one of the following:

(1) any political or taxing subdivision authorized by law to construct, operate, and maintain a public water supply system, including water districts;

(2) two or more such subdivisions jointly constructing, operating, or maintaining a public water supply system; or

(3) the Kansas rural water finance authority.

(l) National primary drinking water standards" means a regulation that specifies either a maximum contaminant level or a treatment technique along with associated monitoring and reporting requirements for contaminants with adverse health effects on persons.

(m) Project completion" means the initiation of operation or the ability to initiate operation.

(n) Project" means acquisition, construction, reconstruction, improving, equipping, rehabilitation, or extension of all or any part of a public water supply system.

(o) Public water supply system" has the meaning provided by K.S.A. 65-162a and amendments.

(p) Secretary" means the secretary of health and environment.

(q) Significant noncompliance" means failure to comply with any national primary drinking water standard according to criteria established by the administrator of the federal environmental protection agency.

(r) Water transfer" has the meaning provided by K.S.A. 1996 Supp. 82a-1501 and amendments. (Authorized by K.S.A. 1996 Supp. 65-163f; implementing K.S.A. 1996 Supp. 65-163d, as amended by 1997 S.B. 40, sec. 1, and K.S.A. 1996 Supp. 65-163e through 65-163u; effective Oct. 10, 1997.)

28-15-51 Fund use eligibility.

(a) The fund shall be used only to provide loans to loan applicants for all or any part of the following:

(1) The acquisition, construction, reconstruction, improvement, equipping, rehabilitation, or extension of all or any part of a public water supply system;

(2) costs for project planning, design, and construction inspection, if included in the loan application; and

(3) if a construction contract has been awarded on or after August 6, 1996, refinancing the acquisition, construction, improvement, equipping, rehabilitation, or extension of all or any part of a public water supply system, including costs for project planning, design, and construction inspection. Refinancing shall be allowed only from funds provided directly or indirectly, by federal appropriations for federal fiscal year 1997.

(b) Each project eligible to receive loans shall appear on the project priority list prepared by the department. (Authorized by K.S.A. 1996 Supp. 65-163f; implementing K.S.A. 1996 Supp. 65-163d, as amended by 1997 S.B. 40, sec. 1, and K.S.A. 1996 Supp. 65-163e through 65-163u; effective Oct. 10, 1997.)

28-15-52 Interest rate.

(a) Each loan shall bear interest for the entire life of the loan at a fixed rate set by the secretary. This fixed rate shall be calculated as described in subsection (b). Fees for servicing the loans may also be set by the secretary.

(b) The interest rate shall be calculated as a percentage, as set forth in the intended use plan, of three months' average of the bond buyers 20 bond index." The average is determined using rates published on Monday of each week of the immediately preceding three months. The loan interest rate as calculated shall include any loan service fees.

(c) The interest rate and loan servicing fee shall be the same for all loan applicants. (Authorized by K.S.A. 1996 Supp. 65-163f; implementing K.S.A. 1996 Supp. 65-163d, as amended by 1997 S.B. 40, sec. 1, and K.S.A. 1996 Supp. 65-163e through 65-163u; effective Oct. 10, 1997.)

28-15-53 Repayment of loans.

(a) All principal and interest shall be repaid in accordance with the terms and conditions of the executed loan agreement. Repayments shall begin no later than two years after receipt of the first loan disbursement, and in no case later than one year following completion of the project. Repayment of the loan shall not exceed a 20-year repayment period as agreed upon in the loan agreement.

(b) Prepayment of the principal in whole or part may be made, in accordance with the terms and conditions of the executed loan agreement. (Authorized by K.S.A. 1996 Supp. 65-163f; implementing K.S.A. 1996 Supp.

65-163d, as amended by 1997 S.B. 40, sec. 1, and K.S.A. 1996 Supp. 65-163e through 65-163u; effective Oct. 10, 1997.)

28-15-54 Dedicated loan repayment source.

(a) Each loan recipient shall adopt one or more dedicated sources for repayment of the loan, including principal and interest. The dedicated sources of revenue may be in the form of revenue from water sales, service charges, connection fees, special assessments, property taxes, grants, or some combination of these sources. Each dedicated source of revenue shall be legally available to the loan recipient over the life of the loan and pledged to the repayment of the loan. Each dedicated source of revenue shall be approved by the secretary.

(1) Each loan recipient with general taxing authority shall commit to using that authority, if necessary, as a condition of receiving a loan. As an alternative to pledging general tax authority, any such loan recipient may purchase bond insurance.

(2) Each loan recipient without general taxing authority shall purchase bond insurance as a condition of receiving a loan. As an alternative to purchasing bond insurance, any such loan recipient shall pledge to maintain either of the following:

(A) A debt service coverage ratio of 140%; or

(B) a debt service coverage ratio of 125% combined with a 10% loan reserve account.

(b) Each loan recipient shall conduct an annual revenue source review during the entire life of the loan repayment obligation and, if necessary, shall implement new revenue rates as approved by the secretary. (Authorized by K.S.A. 1996 Supp. 65-163f; implementing K.S.A. 1996 Supp. 65-163d, as amended by 1997 S.B. 40, sec. 1, and K.S.A. 1996 Supp. 65-163e through 65-163u; effective Oct. 10, 1997.)

28-15-55 Failure to repay loan on schedule.

(a) Upon failure of a loan recipient to pay one or more installments of the loan repayment on schedule, the governing body of the loan recipient shall be consulted by the secretary and may be required to undergo a financial and management operations review.

(b) The governing body shall correct any deficiencies noted during the review and adopt charges as set by the secretary, to be levied against users of the project. These charges shall remain in effect until the

full amount of the loan, including principal and interest, has been repaid, unless otherwise approved by the secretary. The governing body of each loan recipient shall collect any such charges and shall forward all receipts from such charges on a schedule established by the secretary. (Authorized by K.S.A. 1996 Supp. 65-163f; implementing K.S.A. 1996 Supp. 65-163d, as amended by 1997 S.B. 40, sec. 1, and K.S.A. 1996 Supp. 65-163e through 65-163u; effective Oct. 10, 1997.)

28-15-56 Project eligibility.

(a) No assistance from the fund shall be provided for any water transfer project, or for any portion of a project involving a water transfer. No assistance from the fund shall be provided to

any loan applicant who has not adopted and implemented water conservation plans and practices.

(b) No assistance shall be provided to any loan applicant in significant noncompliance with any applicable primary drinking water regulation, unless the project will return the loan applicant to compliance.

(c) No assistance shall be provided to any loan applicant lacking capacity, unless the loan applicant agrees to undertake feasible and appropriate changes in operations, including ownership, management, accounting, rates, maintenance, consolidation, alternative sources of supply, or other procedures if the secretary determines that such changes are required to demonstrate capacity.

(d) No assistance shall be provided for projects and activities deemed ineligible for participation by the U.S. environmental protection agency. Any such projects and activities shall be listed in the intended use plan. (Authorized by K.S.A. 1996 Supp. 65-163f; implementing K.S.A. 1996 Supp. 65-163d, as amended by 1997 S.B. 40, sec. 1, and K.S.A. 1996 Supp. 65-163e through 65-163u; effective Oct. 10, 1997.)

28-15-57 Equivalency projects. Equivalency projects shall be required to comply with federal laws and executive orders that apply to all activities receiving federal assistance. In any given year, more projects than are necessary to equal the equivalency portion of the fund may be required to comply with equivalency project requirements, for the purpose of building an equivalency credit for future federal funds. (Authorized by K.S.A. 1996 Supp. 65-163f; implementing K.S.A.

1996 Supp. 65-163d, as amended by 1997 S.B. 40, sec. 1, and K.S.A. 1996 Supp. 65-163e through 65-163u; effective Oct. 10, 1997.)

28-15-58 User charge system. Each loan applicant shall develop and, after the secretary's review and approval, adopt a rate system that shall produce adequate revenue for repayment of the loan principal and interest, and for operation and maintenance of the entire public water supply system, including depreciation. (Authorized by K.S.A. 1996 Supp. 65-163f; implementing K.S.A. 1996 Supp. 65-163d, as amended by 1997 S.B. 40, sec. 1, and K.S.A. 1996 Supp. 65-163e through 65-163u; effective Oct. 10, 1997.)

28-15-59 Project certification. Each loan recipient shall certify to the secretary whether or not the project meets its design requirements on the date one year after the initiation of operation of the project. The loan recipient shall be responsible for assuring timely correction and compliance, including recertification if the initial certification concluded that the project did not meet its design requirements. (Authorized by K.S.A. 1996 Supp. 65-163f; implementing K.S.A. 1996 Supp. 65-163d, as amended by 1997 S.B. 40, sec. 1, and K.S.A. 1996 Supp. 65-163e through 65-163u; effective Oct. 10, 1997.)

28-15-60 Procurement. Each loan recipient shall follow state procurement laws and regulations applicable to the recipient and procedures established by the secretary. The secretary's approval is required before awarding any contract for construction. (Authorized by K.S.A. 1996 Supp. 65-163f; implementing K.S.A. Supp. 65-163d, as amended by 1997 S.B. 40, sec. 1, and K.S.A. 1996 Supp. 65-163e through 65-163u; effective Oct. 10, 1997.)

28-15-61 Project documents.

(a) Each loan applicant shall submit the following documents for the secretary's review and approval:

(1) A completed loan application on application forms furnished by the department;

(2) an engineering report describing the need for the project, project design parameters, and an estimate of cost; and

(3) financial statements for the previous three years.

(b) Each loan recipient shall submit the following

documents for the secretary's review and approval:

(1) Complete design plans, specifications, and construction bidding documents, including detailed cost estimates for competitive bidding, and projected construction and payment schedules;

(2) a plan for providing construction inspection services;

(3) a plan of operation, including an overall project completion schedule, annual operating cost projections for a minimum of five years, a description of the financial management system, and projected revenues to operate and maintain the public water supply system. Revenue projections shall also include the loan repayment obligations; and

(4) an operations manual, which shall be submitted before 90% of the project is completed. (Authorized by K.S.A. 1996 Supp. 65-163f; implementing K.S.A. 1996 Supp. 65-163d, as amended by 1997 S.B. 40, sec. 1, and K.S.A. 1996 Supp. 65-163e through 65-163u; effective Oct. 10, 1997.)

28-15-62 Financial capability. As part of the loan application, the loan applicant shall demonstrate and certify to the secretary that the applicant has the financial capability to repay the loan and to cover the costs of operation and maintenance of the entire public water supply system of which the proposed project is an integral part. This financial assessment shall cover the life of the loan obligation and consider, at a minimum, changes in economic and population growth, depreciation, existing debt obligations, revenues, project costs, and effects on user charge rates. (Authorized by K.S.A. 1996 Supp. 65-163f; implementing K.S.A. 1996 Supp. 65-163d, as amended by 1997 S.B. 40, sec. 1, and K.S.A. 1996 Supp. 65-163e through 65-163u; effective Oct. 10, 1997.)

28-15-63 Public participation.

(a) Each loan applicant shall conduct a minimum of one public hearing before execution of the loan agreement, to discuss the proposed project and receive input on alternatives. Notice of the public hearing shall be provided to the department and shall be published in one or more newspapers, as needed to cover the project service area, at least 30 calendar days before the public hearing.

(b) A record of the public hearing and proof of publication shall be submitted prior to execution of the

loan agreement.

(c) The 30-day public notice requirement may be waived by the secretary for any project deemed an emergency. (Authorized by K.S.A. 1996 Supp. 65-163f; implementing K.S.A. 1996 Supp. 65-163d, as amended by 1997 S.B. 40, sec. 1, and K.S.A. 1996 Supp. 65-163e through 65-163u; effective Oct. 10, 1997.)

28-15-64 Environmental review.

(a) The Environmental review procedure for Kansas public water supply loan fund," dated July 1997, is adopted by reference as the required environmental review procedure for an equivalency project.

(b) For an equivalency project, 40 CFR 6.508(a), 6.511(b), and 6.512, as in effect on July 1, 1996, are hereby adopted by reference.

(c) Those members of the public who participated in the environmental review process shall have the right to appeal the decisions made within that process. All such appeals shall be conducted pursuant to the Kansas administrative procedure act and the act for judicial review set forth in K.S.A. 77-501 et seq. and 77-601 et seq., respectively.

(d) When used in any provision adopted from 40 CFR Part 6, references to EPA" shall be replaced with the Kansas department of health and environment"; grant" shall be replaced with loan agreement"; grantee" shall be replaced with applicant." (Authorized by K.S.A. 1996 Supp. 65-163f; implementing K.S.A. 1996 Supp. 65-163d, as amended by 1997 S.B. 40, sec. 1, and K.S.A. 65-163e through 65-163u; effective Oct. 10, 1997.)

28-15-65 Project accounts. Each loan recipient shall maintain project accounts in accordance with generally accepted government accounting standards as defined in the 1994 edition of the governmental accounting, auditing, and financial reporting" manual issued by the government finance officers association. (Authorized by K.S.A. 1996 Supp. 65-163f; implementing K.S.A. 1996 Supp. 65-163d, as amended by 1997 S.B. 40, sec. 1, and K.S.A. 1996 Supp. 65-163e through 65-163u; effective Oct. 10, 1997.)